LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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FISCAL IMPACT STATEMENT

LS 7956 | **DATE PREPARED:** Jan 9, 2001
BILL NUMBER: HB 1578 | **BILL AMENDED:**

SUBJECT: Tax administration and motor vehicles.

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FUNDS AFFECTED: **X GENERAL** | **IMPACT:** State & Local
X DEDICATED
X FEDERAL

Summary of Legislation: This bill: 1) lowers the threshold for tax payments by electronic transfer of funds, in person, or by overnight delivery; 2) provides that for purposes of the gross income tax, a unitary group does not include an entity that does not transact business in Indiana.; 3) changes the dates by which estimated quarterly financial institutions tax returns must be filed; 4) repeals the requirement that the Department of State Revenue must issue transporter emblems for certain vehicles transporting gasoline; 5) provides that a person that recklessly (rather than knowingly) uses a special fuel with a sulfur content greater than 0.05% commits an infraction; 6) specifies that the Department may enter into the International Fuel Tax Agreement; 7) makes related changes; 8) provides that if a notice of proposed assessment is returned because a taxpayer has moved and the Department is unable to determine the taxpayer's new address, the Department may make an assessment for taxes without providing certain notices that would otherwise be required; 9) provides that a driver who commits certain serious traffic violations related to railroad crossings while operating a commercial motor vehicle is disqualified from driving such a vehicle for specified periods.

Effective Date: July 1, 2001; January 1, 2002; July 1, 2002.

Explanation of State Expenditures: The provisions of this bill will have a minimal fiscal impact. A summary of the provisions are listed below.

1) This bill lowers the threshold for tax payments by electronic transfer of funds, in person, or by overnight delivery. This will result in more taxpayers remitting their tax liabilities through electronic fund transfer. Beginning January 1, 2002, the threshold for remitting the Sales and Use Tax, the Adjusted Gross Income Tax and the Motor Carrier Fuel Tax and Surcharge Tax by electronic fund transfer is lowered from an average monthly liability of $10,000 to $5,000. For the Gross Income Tax and the Financial Institutions Tax, the same threshold change is made for average quarterly liabilities. This should result in the more efficient collection of these taxes.

Impact: There would be some minor additional revenue to the Department of Revenue from these changes, plus some administrative savings.

2) The bill provides that for purposes of the gross income tax, a unitary group does not include an entity that does not transact business in Indiana.
3) The bill also changes the dates by which estimated quarterly Financial Institutions Tax (FIT) returns must be filed.

The date change will put financial institutions taxpayers on the same deadlines for quarterly payment of estimated taxes that other corporate taxpayers are on. Currently FIT quarterly payments for taxpayers who use a tax year which ends December 31 are filed on April 30, July 30, October 30 and January 30. This bill changes the filing dates to April 20, June 20, September 20 and December 20. There is a noncode provision which ensures that these dates to do affect total payments during the tax year.

Impact: The combined processing of returns provides some administrative simplification for both the Department of State Revenue and taxpayers.

4) The bill repeals the requirement that the Department of State Revenue must issue transporter emblems for certain vehicles transporting gasoline.

DOR reports that these requirements have never been met because of federal preemption, and because the vehicle registration process has eliminated the need for these emblems.

Impact: There would be no fiscal impact.

5) The bill also provides that a person that recklessly (rather than knowingly) uses a special fuel with a sulfur content greater than 0.05% commits an infraction.

Under current law, a person who knowingly uses on the highway special fuel containing sulphur of more than .05% is subject to various penalties. DOR proposes to lower the burden of proof to be defined as recklessly, which would remove a violator's defense that he did not know that he was using this illegal fuel.

Impact: If this new standard were vigorously enforced, there might be some very minor revenue increases over time.

6) The bill specifies that the Department may enter into the International Fuel Tax Agreement (IFTA).

Indiana already is a signatory to this Agreement. In 1999, the National Conference of State Legislatures (NCSL), conducted a study of this Agreement. to identify potential problems and make general recommendations to the states and participating Canadian provinces.

A general recommendation was to clarify the legal relationships between the IFTA agreement itself (and other IFTA documents) and state statutes and administrative rules. The proposed language clarifies that if there is a conflict, Indiana statutes supersede the IFTA Agreement and documents, but that the Agreement may supersede Indiana administrative rules in the even of a conflict. The changes also attempt to clarify the authority of the General Assembly vis-a'-vis that of the IFTA. All the other changes are made to conform to this principle.

Impact: There should be no fiscal impact as a result of these changes.

7) The bill makes related changes. No impact.

8) The bill provides that if a notice of proposed assessment is returned because a taxpayer has moved and the Department is unable to determine the taxpayer's new address, the Department may make an assessment for taxes without providing certain notices that would otherwise be required.

Under current law, the DOR must continue to send tax assessment notices to a taxpayer even thought the Postal Service returns the notices due to lack of forwarding address.

Impact: There would be minor administrative savings.

9) The bill provides that a driver who commits certain serious traffic violations related to railroad crossings while operating a commercial motor vehicle is disqualified from driving such a vehicle for specified periods.

The U.S. Congress has mandated the states to make certain changes in their statutes concerning Commercial Drivers' License (CDL) driver safety related to railroad crossings. (If this is not done by 2002, there is a risk of loss of federal funding in the amount up to $3 million.) Essentially, these changes identify those Indiana offenses that constitute "serious traffic violations" involving railroad crossing activity. Second, the Department of State Revenue must disqualify a CDL driver for various periods of time, if he is convicted of "serious traffic violations".

Impact: There would be no apparent fiscal impact from these changes.

Explanation of State Revenues: See provisions 1 and 5 above.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: Arden Chilcote, Department of State Revenue, 232-8022.